

Message Text

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SUBJ: IRAN-U.S. BUSINESS COUNCIL MEETING IN TEHRAN,
MARCH 1, 1976

1. BEGIN SUMMARY: THE IRAN-U.S. BUSINESSCOUNCIL'S INAUGURAL MEETING WAS HELD AT TEHRAN ON MARCH 1, 1976 AND WAS ATTENDED BY TWENTY-TWO U.S. AND THIRTY-NINE IRANIAN SENIOR BUSINESS EXECUTIVES. THE MEETING WAS GENERALLY CONSIDERED SUCCESSFUL, BEARING IN MIND THAT IT WAS NOT A DECISION-MAKING BODY FROM WHICH CONCRETE RESULTS MIGHT HAVE BEEN ANTICIPATED. END SUMMARY.

2. KEYNOTE SPEAKERS WERE RECENTLY-INSTALLED MINISTER OF COMMERCE MANUCHEHR TASLIMI (SUBSTITUTING FOR THE SCHEDULED SPEAKER, MINISTER OF ECONOMY AND FINANCE HOUSHANG ANSARY, WHO WAS OUT OF THE COUNTRY), DR. TAHER ZIAI, PRESIDENT, IRAN CHAMBER OF COMMERCE, INDUSTRY AND MINES, CHAIRMAN OF THE IRANIAN DELEGATION, AND MR. JOHN O. LOGAN, CHAIRMAN UOP, INC., CHAIRMAN OF THE U.S. DELEGATION. LOGAN READ MESSAGE TO CONFERENCE FROM SECRETARY OF COMMERCE RICHARDSON, WHICH WAS VERY WELL RECEIVED BY BOTH U.S. AND IRANIAN DELEGATES.

3. BOTH MORNING AND AFTERNOON SESSIONS WERE PLENARY
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MEETINGS, RATHER THAN THE PANEL MEETINGS ORIGINALLY

ENVISAGED, WITH THE TOPICS COVERED INCLUDING "IRANINA AND AMERICAN ECONOMIC PERSPECTIVES," THE "RECORD OF IRANIAN-AMERICAN BUSINESS COOPERATION," "IRANIAN ECONOMIC POLICY AND DEVELOPMENT," AND "THE ROLE OF UBISNESS IN IRANIAN DEVELOPMENT."

4. IN THE COURSE OF THE DISCUSSIONS THE U.S. REPRESENTATIVES CANDIDLY, BUT IN RESTRAINED TONES, VOICED THEIR VIEWS ON THE IRANIAN BUSINESS CLIMATE AS SEEN BY THE POTENTIAL INVESTOR. THEY STRESSED THE IMPORTANCE OF ADEQUATE PROFIT MARGINS AND PARTICULARLY SINGLED OUT THE UNCERTAINTIES CREATED BY THE IMPOSITION OF "TEMPORARY" PRICE CONTROLS AND THE INDUSTRIAL SHARE PARTICIPATION LAW. THEY ALSO TOOK NOTE OF SLOW GOVERNMENT PAYMENTS, CONTRADICTORY POLICIES OF VARIOUS GOI GOVERNMENT AGENCIES, AND TRANSPORTATION AND OTHER LOGISTICAL PROBLEMS. THE FINAL JOINT COMMUNIQUE RECOGNIZED THE BASIC PROBLEM, NOTING THAT "THE DELEGATES AGREED THAT CONSISTENCY AND CONTINUITY OF POLICY FORMULATION AND IMPLEMENTATION ARE OF PARAMOUNT IMPORTANCE IN CREATING AN ENVIRONMENT IN WHICH THE BUSINESS COMMUNITY COULD FULLY CONTRIBUTE TO THE INDUSTRIALIZATION OF THE DEVELOPING WORLD. IN THIS CONNECTION, THE DELEGATES SUGGESTED THAT THE USE OF THE "GRANDFATHER CLAUSE" IN IRANIAN ECONOMIC POLICY WOULD MATERIALLY INCREASE THE ATTRACTIVENESS OF IRAN TO POTENTIAL FOREIGN INVESTORS SINCE IT WOULD INCREASE PREDICTABILITY BY PROVIDING ASSURANCES OF A FIXED SET OF GROUND RULES FOR THE INVESTOR FOR A CERTAIN PERIOD OF TIME."

5. IN THE COURSE OF THE DISCUSSION, A. ROBERT ABBOD, BOARD CHAIRMAN OF THE FIRST NATIONAL BANK OF CHICAGO, ADVOCATED THE USE OF SURETY BONDS RATHER THAN BANK GUARANTEES IN CONSTRUCTION PROJECTS, THUS EFFECTIVELY FOLLOWING UP ON RECENT DISCUSSION HELD HERE BY THE SURETY BOND TEAM.

6. IN THE JOINT COMMUNIQUE IT WAS NOTED THAT "THE USE OF SURETY BONDS RATHER THAN BANK GUARANTEES IN CONSTRUCTION PROJECTS WOULD REDUCE THE OVERLL COSTS OF SUCH PROJECTS AND WOULD NEVERTHELESS ADEQUATELY SECURE ALL PARTIES TO UNCLASSIFIED

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THE CONTRACT: IT WAS AGREED THAT THE ISSUE DESERVED GREATER EXAMINATION IN DETAIL."

7. THE MAJOR POINT RAISED BY THE IRANIAN SIDE CONCERNED IRAN'S INTEREST IN DEVELOPING OVERSEAS MARKETS AND, SPECIFICALLY, IN OBTAINING ASSISTANCE IN PENETRATING THE U.S. MARKET. THE COMMUNIQUE STATED THAT "IT WAS AGREED THAT IRAN WOULD BENEFIT FROM THE PROVISIONS OF

THE GENERALIZED SYSTEM OF PREFERENCES THROUGH INCREASED ACCESS TO THE AMERICAN MARKET, AND THAT THE QUESTION SHOULD BE THOROUGHLY REVIEWED WITH APPROPRIATE GOVERNMENT OFFICIALS."

8. IN CONCLUSION, THE COUNCIL AGREED TO MEET AGAIN ON A MUTUALLY CONVENIENT, BUT UNSPECIFIED, DATE AND TO DISCUSS SPECIFIC ISSUES RAISED AT THE OPENING MEETING IN THE NEAR FUTURE.

9. PREDICTABLY, THE MEETING OF THE BUSINESS COUNCIL (NOT A DECISION-MAKING BODY PER SE) WAS SHORT ON CONCRETE RESULTS. HOWEVER, THE U.S. BUSINESS EXECUTIVES SEEMED TO FEEL THAT THEY HAD AT LEAST MANAGED TO SURFACE THEIR VIEWS ON DOING BUSINESS IN, AND ATTRACTING INVESTMENT TO, IRAN--BOTH IN THE FORMAL SESSIONS AND IN PRIVATE CONVERSATIONS. THEY RECOGNIZED, HOWEVER, FROM THESE DISCUSSIONS THAT THE LOCAL BUSINESS COMMUNITY--WHICH GENERALLY TENDED TO AGREE WITH THESE OBSERVATIONS AND SUGGESTIONS/WERE NOT THEMSELVES IN A POSITION TO EFFECT CHANGES IN THE GROUND RULES, AND THAT MUCH MORE WORK REMAINED TO BE DONE.

10. A SIDELIGHT ON THE CONFERENCE WAS TASLIMI'S OPENING COMMENTS ON THE BUSINESS CORRUPTION ISSUE (A THEME MORE POINTEDLY REVERTED TO BY PRIME MINISTER HOVEYDA AT THE END OF THE IRAN-U.S. FINANCIAL CONFERENCE). TASLIMI SAID "WHILE WE RESPECT OTHER COUNTRIES' LAWS AND ETHICAL BUSINESS TRADITIONS, WE EXPECT THE SAME DEGREE OF RESPECT BY OUR ECONOMIC PARTNERS FOR OUR OWN BUSINESS AND ECONOMIC ETHICS." ANOTHER SOMEWHAT DAMPENING NOTE, WHICH WAS COMMENTED ON BY SOME U.S. DELEGATES, WAS THE FRONT PAGE PUBLICATION ON MARCH 2 OF THE LE MONDE UNCLASSIFIED

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INTERVIEW (TEHRAN 2161) WHICH, AMONG OTHER THINGS, SINGLED OUT THE U.S. AS THE MAIN OBSTACLE TO THE SUCCESS OF THE NORTH-SOUTH DIALOGUE.

11. REPORT ON U.S.-IRAN FINANCIAL CONFERENCE FOLLOWS VIA SEPTTEL.
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